



**UNIVERSITI PUTRA MALAYSIA**

**INTELLECTUAL PROPERTY RIGHTS  
IN MALAYSIA**

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# **INTELLECTUAL PROPERTY RIGHTS IN MALAYSIA**

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**This research paper is submitted as a partial fulfillment  
for the Degree in Master of Business Administration in the  
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It is hereby certified that I have read the project paper entitled, “ Intellectual Property Rights in Malaysia ,” submitted by S. Rajendran and in my opinion it satisfactory in terms of scope, quality and presentation as partial fulfillment of the requirement for the degree in Master of Business Administration.

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**PENGESAHAN KEASLIAN**

Dengan ini saya, **S. Rajendran**, Nombor Matrik **45108** ,Universiti Putra Malaysia, pelajar program **Master of Business Administration**, mengesahkan bahawa kajian ini adalah hasil kerja asal saya sendiri.

9/8/97

**tarikh**

  

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**tanda tangan**

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## **ABSTRACT**

In the light of Malaysia's determination to move into the Information Age by the turn of the century, mainly through the development of the Multimedia Super Corridor, it is important to evaluate the role of the Intellectual Property Rights in Malaysia. This paper, therefore, traces the development of laws in respect of Intellectual Property Rights in Malaysia and the problem faced in ensuring that the conflicting interests in the free flow of information and the need for protection of individual proprietary rights are balanced.

The objective of the study is to examine the ways and means used for striking a balance between free flow of information and the protection of individual rights. The methodology adopted is exploratory and comparative. It is exploratory owing to the novelty of the subject matter and comparative as the experiences of advanced nations in this field are drawn upon to enable an appropriate model to be developed for Malaysia.

As Intellectual Property Rights are related to information technology, which is characterised by change and challenge, the issues involved, like those inherent in the Internet and the place of the consumer in these Rights, are noted. Overall, the observance of Intellectual Property Rights is expected to provide Malaysia with an edge in the competitive world of international trade and move Malaysian economy to a service-orientated one through the Multimedia Super Corridor. In addition, the promotion of Intellectual Property Rights and the development of the Multimedia Super Corridor signals the move towards an immersion into information technology to stay abreast/ahead of developments in the fast approaching process of globalisation.

**INTELLECTUAL PROPERTY RIGHTS**

**IN**

**MALAYSIA**

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## **1.BACKGROUND**

Briefly,intellectual property rights refer to patents,copyrights,trademarks,industrial designs,and confidential information.They relate to the protection of ideas and information of value.

After World War II and in particular in the 1970s and 1980s, Malaysia, like most developing countries, was faced with the compelling need to come to terms with the Western demands to comply with Intellectual Property Rights developed by the West.

United States, enjoying a pre-eminent position in the globe, spearheaded the movement for worldwide acceptance of Intellectual Property Rights based on the general principle underlying these rights (economic and moral) for various reasons including the need to rectify the huge deficit she had accumulated over the years.

Being a trading nation, Malaysia is sensitive to the external environment as she depends on export earnings besides relying on external sources for technology and capital. Her initial response to Western demands was to follow bilateral approach with countries like United States, United Kingdom and others but in 1989 she decided to opt for collective agreements and conventions in line with her past behaviour of relying on collective organizations like the United Nations and ASEAN to further her interests.

### **TYPES**

Intellectual Property in an intangible property, which can be very valuable, and is limited in time period. According to W.R. Cornish in his book, “ Intellectual Property,” 3rd Edition, “ Intellectual Property protects application of ideas and information that are

of commercial value.” The right can be negative in preventing others from doing things on which a positive right has already been made usually through registration. There are three main types of intellectual property rights:-

i. **COPYRIGHT** covers original written works, artistic works, film, photographs, videos, broadcasts, computer programs data bases and musical works.

ii. **PATENT** is granted for an invention, which is novel and capable of industrial application. Many states grant patent for utility models that need less strict standards required for patents.

iii. **TRADE MARKS** help to differentiate goods and services and are valuable property to the owner/company but the intellectual input in trade marks is very little.

Other major types of intellectual property rights include the following:-

i. **INDUSTRIAL DESIGN** usually has an aesthetic or non functional value and becomes a right upon registration.

ii. **CONFIDENTIAL INFORMATION** is related to trade secrets which may take the form of manufacturing process or a confidential list of customers.

## **PRINCIPLES**

Underlying Principle is that Intellectual Property has value and the laws are designed to protect and enable the owner to enjoy monetary gains on his property. This is purely economic right, the breach of which may give rise to different forms of redresses, like compensation, injunction or criminal proceedings involving penalties depending on

the type of offence committed. In addition, there is a moral right in respect of creative works like books. From the early days, this right was championed by civil law countries of Western Europe, particularly France. United Kingdom only recognised this moral right in 1968 and Malaysia takes cognisance of both the economic and moral rights. The basis for liability in respect of intellectual property began in the United States with the concept of “misappropriation of trade values” and civil law countries of Western Europe evolved the idea of unfair business practices to “unfair competition” which is generally accepted.

## **2. PROBLEM STATEMENT**

Malaysia's compliance, over the years, to demands for change in respect of Intellectual Property Rights was translated into the need for updating her laws and for effective enforcement of laws against infringement of these rights. While there is the legislative machinery for updating the laws, enforcement remains elusive, particularly in respect of the Internet, for which no government has so far drawn up appropriate laws to control it or agreed upon the areas where restriction should be placed. As Malaysia moves into Information Age with the Multimedia Super Corridor, it is important to understand the benefits and challenges of Intellectual Property Rights, which affect us, bearing in mind that the Intellectual Property is characterized by controls while technological advances enable, say the Internet, to flow freely threatening copyright. Therefore, the problem statement revolves around the need to strike a balance between free flow of information and the need to protect individual proprietary rights.

### **3.OBJECTIVE OF STUDY**

Taking Malaysia's development of Multimedia Super Corridor to attract foreigners to establish their companies in the MSC, the objective of the study is to examine the ways and means by which the Government attempts to maintain the most effective balance between private and public interest in the area of Intellectual Property Rights. This involves an examination of the following:

- a) Legislative regime -current and future- in respect of these rights;
- b) Interest in the rights and enforcement of these rights; and
- c) The relevance of non-Governmental institutions to these rights.

### **4.LITERATURE REVIEW**

W.R. Cornish in his book titled, " Intellectual Property Rights ", indicated that developing countries, which have harboured " old antagonisms" to intellectual property rights have to come to place faith in these rights as " major keys to technological development and national prosperity." This belief was echoed by the Director, Intellectual Property Division of the Ministry of Domestic Trade and Consumer Affairs, when she indicated in her paper, " Update on the Protection of Intellectual Property Rights in

Malaysia ” at the World Intellectual Property Organisation (WIPO)-SIRIM-FMM seminar held in Shah Alam, 28-29 August 1996, that the “ Malaysian Government believes in the important role of the intellectual property rights” in the areas of investment, trade and transfer of technology.

## **COPYRIGHTS**

Dr.Khaw Lake Tee in her book, “ Copyright law in Malaysia” noted that the copyright Act of 1987 did not “ go far enough ” and, in the anticipation of the accession to the Berne Convention, the Act of 1987 was amended to comply with the requirements of the Convention. Dr.Khaw Lake Tee, in her paper delivered to the MIPA (Malaysian Intellectual Property Association) Intellectual Property Roundup Seminar in March 1997 in Kuala Lumpur on “ Multimedia and Cyber Law”, questioned as to “whether the range of rights afforded under the existing copy right regime meets the requirements of the multimedia industry.”

## **PATENTS**

The General Manager of SIRIM Information Services, Lee Yuke Chin, in his paper “Exploiting the national patent systems for Industrial Technology Development”, delivered at theWIPO-SIRIM-FMM Seminar at Shah Alam in August 1996, indicated that there has been“ a significant increase in patent filing by our own residents” ever since the legislations on patents came into force. He added that the national patent system has



“achieved creditable success and is expected to continue to play the key role to stimulate technological and industrial development.”

## **TRADE MARKS**

Sanjay Kapur, explained at the WIPO-SIRIM-FMM Seminar in his paper titled, “The function of Trade Marks and Service Marks in the market place”, that well known trade marks provide opportunities for franchising and licensing, preferably for a royalty. Katherine Lim Sui Hong , in presenting her paper titled, “Trade Mark” at the WIPO Roundup Seminar in March 1997 in K.L. pointed out that the trade mark regime is currently undergoing a “ facelift ” and the implementation of the Amendment Act would “help boost the confidence of the public and interested parties that our Government is taking great pains to ensure that our Intellectual Property System is in line with International Standards and guidelines.”

## **DESIGNS**

Peter Huang , in his paper bearing the title, “ Registered Design,”observed that designs are concerned with appearance than their functions. He welcomed the new Industrial Design Act, 1996, which awaits announcement of the enforcement date, as previously Malaysia did not have legislation on this area and depended on UK for registration of Design. In principle, he indicated that the legislation should give “protection through the grant of monopoly right to visual form of articles which are

commercially produced.” He added that the law should “ encourage the creation of designs.”

## **NEW LAWS**

The Director in the Ministry of Domestic Trade and Consumer Affairs, stated that in pursuant of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIP's) Agreement, the Ministry has drafted the rules which were tabled in the Parliament. The Director also spelt the benefits that the intellectual property rights would provide for Malaysia and in particular to the business community. In her paper, “Update on protectionism of Intellectual Property Rights”, she maintained that these rights would play an important role in “ stimulating flow of foreign investment, encouraging transfer of technology, promoting the development of indigenous technology and enhancing domestic and international trade.”

## **5.METHODOLOGY**

The methodology used here would be both exploratory in nature owing to the novelty of the subject matter and comparative as an analysis of laws of other more established nations help provide the right model of legal and institutional framework regarding Intellectual Property Rights. Frequent references to foreign judicial decisions is an intergral part of this comparative methodology. Attention is therefore focussed on the areas mentioned below :-

## **LEGISLATIVE REGIME- CURRENT AND FUTURE**

The legislation introduced by the Government on intellectual property laws to align it with international laws and cases judicially determined, often, with reference to foreign decisions, are described ;

### **INTEREST IN THESE RIGHTS & ENFORCEMENT OF THESE RIGHTS-**

The observation here relates to the kind of interest shown by the general public to these rights and Government initiatives taken to promote them and an assesment is made of the problems and success in enforcement of these rights;and

### **RELEVANCE OF NON-GOVERNMENTAL INSTITUTIONS**

The relevance of non-governmental organisations and the kind of support, which the Government gives to these bodies in order to spread public knowledge of these laws are mentioned.

## **6.LEGISLATIVE REGIME -CURRENT AND FUTURE**

### **6.1 COPYRIGHT**

Before independence of Malaya in 1957, the United Kingdom Copyright Act of 1911 prevailed in the Straits Settlements of Penang and Malacca while the Federal Malay

States were covered by the Copyright Enactment ( Cap.73 ). The formation of Malaysia in 1963, incorporating Sabah, Sarawak and Singapore, saw the addition of the United Kingdom Copyright Act of 1956 to those prevailing in the States on Copyright. All existing laws were incorporated into the Copyright Act of 1969.

## **THE COPYRIGHT ACTS**

The Copyright Act of 1969 protected literary, artistic and musical works, besides sound recordings, cinematograph films and broadcasts. Malaysians and residents enjoyed protection of literary, artistic and musical works for life and 25 years respectively while other works were provided with a duration of 20 to 25 years protection. Foreign works were protected only if their works were first published in Malaysia or published in Malaysia within 30 days of the first publication abroad. Technological advances in the 1970's led to the rampant rise of pirated copies of sound recordings and video cassettes. This invited demands for a review of the 1969 Act from copyright owners, both local and foreign, as well as pressure from UK and the USA. This resulted in the Copyright Act of 1987, which replaced the Act of 1969.

The Copyright Act of 1987 accorded protection to three categories of works:-

- “a) literary, artistic and musical works;
- b) sound recordings, films and broadcastings; and
- c) typographical arrangements of published editions of works.”

All three groups were regarded as “works” while some Commonwealth countries distinguished (a) as works and (b) together with (c) as falling within the category of “neighbouring or related rights.”

### **THE BERNE CONVENTION**

As a result of Malaysia’s accession to the Berne Convention, the Copyright Act of 1987 was amended and under section 59A, the Copyright (Application to Other Countries) regulations and came into force on 1st October 1990. Under the Berne Convention, the work of a Malaysian author would enjoy protection in countries, which have acceded to the Berne Convention, whether published or not. The work of an author from a non-Berne Convention country would only be given protection if his or her work was published in a Berne Convention country or is published in a Berne Convention country within 30 days of its first publication in a non-Berne Convention country.

### **CURRENT POSITION**

The Act of 1987, as amended, confers protection to an author of a work if he is a citizen or permanent resident of Malaysia where the work was first published or made in Malaysia. It also extends to work made by or under the direction of the Government of Malaysia and by citizens or permanent residents in a country which is a member of any convention, to which Malaysia is a party. No formal registration of ownership of copyright is needed so long as the work is reduced to material form and the author enjoys the status mentioned above. Copyright protection is accorded to the following works:- literary

works, artistic works, films, musical works, sound recordings and broadcasts. Computer programs and industrial designs fall within the ambit of literary works and artistic works respectively. The Act also provides for a Tribunal to grant licences and to fix royalty payments in connection with the translation into the national language of literary work in other languages.

Court remedies include injunctions, damages and payment on profits and costs. The Act contains penal provisions and criminal proceedings are governed by the Criminal Procedure Code. When copyright subsists in a work, it is a criminal offence for a person to sell, hire or let for hire, to import or exhibit by way of trade or to process, except for private use, or to possess any contrivances intended to be used for making infringement copies for commercial purposes. The penalty is a fine not exceeding RM 10,000 per infringing copy or imprisonment for a term not exceeding 5 years or both. For subsequent offence and for cases involving contrivances for making infringing copies, the penalty may be double. The Copyright (Amendment) Act 1997 revised the definition of “artistic works” and deleted functional articles (industrial designs) from copyright protection. The Act also increased the power of the Tribunal to arbitrate on disputes related to licences.

Duration of copyright protection under the Act of 1987 is summarised in appendix

A.

## **PRINCIPLES JUDICIALLY DETERMINED**

### **USE OF ANTON PILLAR ORDER IN COPYRIGHT INFRINGEMENT**

#### **CASE**

A case involving copyright ,where Anton Pillar order was issued ,is illustrated. In *Television Broadcasts Ltd and others v Mandarin Video Holding Sdn Bhd*(1984)FRS III upon complaints from the plaintiffs( two producers of Chinese language films for TV shows in Hong Kong and the third plaintiff with copyright to distribute the films in video cassettes in Malaysia) that the defendants were making illicit video copies, the Anton Pillar order was issued leading to raids on Mandarin's premises. The defendants sought to discharge the order and contended, among others, that the plaintiffs had not complied with Films (Censorship) Act 1952 and that there was no evidence that the cassettes were sold or made available to the public within 30 days of their publication in Hong Kong. In the judgement in favour of the plaintiffs in respect of the issuance of the Anton Pillar order ,Chan J. quoted a number of cases, mainly English, and highlighted the prerequisites for issuance of the order as mentioned in the English judgement of *Anton Pillar K.G. v Manufacturing Processes Ltd* (1976): "First, there must be extremely strong *prima facie* case .Secondly, the damage, potential or actual, must be very serious for the applicant. Thirdly, there must be clear evidence that the defendant have in their possession incriminating documents or things and that there was a real possibility that they may destroy such material before any application *inter partes* can be made." Chan J. also noted that the usefulness of the Anton Pillar order is in the element of surprise, especially in cases of piracy.

## COMMISSIONED WORK

An example of copyright ownership case is that of *Polygram Records Sdn v The Search and Anor* 1994, 2 MLJ 127, in which the defendants, a music group called The Search, signed with the plaintiffs two contracts: the first for two years and the second before the expiry of the first. Eventually the group made an album by forming a new company consisting of some members of the group. In the case, which dealt with many issues, Visu Sinnadurai J ruled that the first contract was invalid but the second was valid rejecting defendants' claims of false misrepresentation and undue influence but accepted that a clause in the second contract was void in respect of restraint of trade. One of the issues was that of ownership of copyright as the defendants had sought re-assignment of copyright and this was rejected on the principle that when a work is commissioned, the copyright is transferred to the person who commissioned the work. The plaintiff was ordered to pay all royalties due to the plaintiff under the second contract.

## 6.2 PATENTS

Patent Act of 1983 governs the rules on patent. For an invention to be patentable it must satisfy the following criteria:-

- i) Invention must be novel (new);
- ii) It must incorporate an inventive step; and
- iii) It must be applicable industrially.



Malaysia follows the first to file system and the first person who applies for a patent gets the patent. A patent provides rights accorded by law, ie to exploit the patented invention, to assign the patent and to conclude licence contracts. A notable feature of a patent is that it is territorial in scope and in order to have application in other countries, say to member countries of the Paris Convention, then priority claim must be made under the rules of the Convention. For application in non-Paris Convention members, a separate application has to be made. Most patents are owned by foreign companies in Malaysia. The Act provides protection measures like damages and injunction for infringement. Under the Patent Act 1983 and Patent (Amendment) Act 1994 anyone representing falsely that a thing sold by him as patented commits an offence. It is also an offence if he falsely claims that a patent has been applied for when no such application was made or when the application has been withdrawn or refused. The offence carries a penalty of RM 15,000 or imprisonment for a term not exceeding two years or both.

## **PRINCIPLES JUDICIALLY DETERMINED**

### **-VALIDITY OF PATENT**

*In Premier Products Co Ltd and Pembinaan Jayabumi (Sarawak) Sdn Bhd v Zarnrud Fibre Industries (M) Sdn Bhd & Anor [1994] AMR 2324*, the first and second plaintiff, considering themselves to be the owner and licensee respectively of a patent on septic anaerobic filter tanks, claimed infringement by the defendants. The defendants denying infringement raised the following points on law and principle:

- that the first plaintiff was not the owner of the patent according to Patent Act of 1983;